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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Q 35616

MAR 10 1992

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended January 25, 1992

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934
For the transition Period from _____ to _____.

Commission file No. 0-9085

APPLIED SOLAR ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	**94-2579029** (I.R.S. Employer Identification No.)
15251 East Don Julian Road **City of Industry, California** (Address of principal executive offices)	**91745** (Zip Code)

Registrant's telephone number, including area code: **(818) 968-6581**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

The number of shares of common stock outstanding as of February 14, 1992 was 3,417,951.

This document contains 10 pages.

The exhibit listing appears on page 9.

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APPLIED SOLAR ENERGY CORPORATION

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APPLIED SOLAR ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Dollars in thousands)

	January 25, 1992 (Unaudited)	October 26, 1991
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 29
Accounts receivable, less allowance for doubtful accounts of $64 and $64, respectively	1,202	1,363
Costs and earnings in excess of billings	1,354	868
Claims and equitable adjustments recoverable	962	867
Inventories:		
Work-in-progress	1,822	975
Materials and supplies	2,076	1,904
	3,898	2,879
Prepaid expenses	438	660
Total current assets	7,854	6,666
Property, equipment and improvements, at cost:		
Land	2,263	2,263
Building and improvements	9,194	9,194
Machinery and equipment	23,396	23,373
Construction-in-progress	112	69
	34,965	34,899
Less: accumulated depreciation and amortization	20,348	19,767
	14,617	15,132
Other assets, net	297	284
	$22,768	$22,082
Liabilities and Stockholders' Equity		
Current liabilities:		
Payable to majority stockholder	$ 9,049	$ 6,842
Accounts payable	1,064	638
Accrued compensation and related expenses	509	960
Accrued property tax	153	501
Other accrued liabilities	516	752
Current portion of long-term debt	62	65
Total current liabilities	11,353	9,758
Long-term debt	853	870
Deferred taxes based on income	59	59
Stockholders' equity:		
Preferred stock without par value; authorized 1,000,000 shares; none issued	-	-
Common stock without par value; authorized 10,000,000 shares; issued and outstanding 3,417,951 shares	21,415	21,415
Deficit	(10,912)	(10,020)
Total stockholders' equity	10,503	11,395
	$22,768	$22,082

See Notes to Condensed Consolidated Financial Statements

APPLIED SOLAR ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended	
	January 25, 1992	January 26, 1991
Net sales	$ 5,596	$ 5,396
Costs and expenses:		
Cost of products sold	4,494	4,010
Internal research and product development	588	321
Selling, administrative and general	1,285	1,197
Interest expense, net	121	185
Total costs and expenses	6,488	5,713
Net loss	$ (892)	$ (317)
Net loss per share	$ (.26)	$ (.09)
Average common shares	3,418	3,418

See Notes to Condensed Consolidated Financial Statements

APPLIED SOLAR ENERGY CORPORATION
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Three Months Ended	
	January 25, 1992	January 26, 1991
Cash flows from operating activities:		
Net loss	$ (892)	$ (317)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	581	723
Increase in other assets	(13)	(10)
Change in operating assets and liabilities	(1,826)	(1,118)
Net cash used by operating activities	(2,150)	(722)
Cash flows from investing activities -		
Capital expenditures	(66)	(293)
Cash flows from financing activities:		
Net cash received on borrowings from majority stockholder	2,207	1,204
Cash paid on principal amount of long-term debt	(20)	(14)
Net cash provided by financing activities	2,187	1,190
Net increase (decrease) in cash and cash equivalents	(29)	175
Cash and cash equivalents - beginning of period	29	37
Cash and cash equivalents - end of period	$ -	$ 212

See Notes to Condensed Consolidated Financial Statements

APPLIED SOLAR ENERGY CORPORATION
Notes to Condensed Consolidated Financial Statements
January 25, 1992
(Unaudited)

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed consolidated financial statements should be read in conjunction with the financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 26, 1991. The results of operations for the three months ended January 25, 1992 are not necessarily indicative of the results to be expected for the full year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Loss Per Share

Loss per share is computed by dividing net loss by the weighted average number of common shares outstanding. No common equivalent shares were used in the calculation of loss per share since their effect would be antidilutive.

Item 2.

APPLIED SOLAR ENERGY CORPORATION
Management's Discussion and Analysis
of Financial Condition and Results of Operations

GENERAL

On February 28, 1992, a majority of the Company's shareholders approved a merger of Applied Solar Energy Corporation with a corporation formed by Westar Capital. (See Item 5 - "Other Information")

The Company's total backlog of contracts was $13.4 million at January 25, 1992 down from $34.2 million at January 26, 1991. The Company received new orders totalling $538,000 during the quarter ended January 25, 1992. The backlog consists of orders believed to be firm. Because customers may cancel or reschedule orders, backlog as of any particular date may not necessarily be representative of sales in any succeeding fiscal period.

Financial Condition

The Company experienced negative cash flow from operations of $2.2 million during the fiscal quarter ended January 25, 1992 due to a net operating loss, an increase in operating assets, primarily inventories and costs and earnings in excess of billings, and a decrease in certain accrued liabilities. Capital expenditures during the three months ended January 25, 1992 were $66,000 versus $293,000 in fiscal 1991. During the remainder of fiscal 1992, the Company anticipates that capital expenditures will not exceed approximately $1.5 million for machinery, equipment, facility improvement and to comply with environmental and safety regulations.

At present, the Company's primary external source of funds is American Cyanamid Company via an unsecured demand note credit agreement which permits the Company to borrow up to $8,500,000 according to its needs and a second demand note credit agreement which permits the Company to borrow an additional $3,500,000 secured by a second trust deed on the Company's property. At January 25, 1992, the Company owed American Cyanamid Company $8.5 million under the unsecured demand note credit agreement and $385,000 under the secured demand note credit agreement. The Company believes that borrowing from American Cyanamid Company under these credit agreements will be sufficient to fund the Company's operating and capital needs until the approved merger with Westar Capital is consummated or during fiscal 1992 if the merger is not consummated. (See Item 5 - "Other Information").

Upon consummation of the proposed merger and over a period of time up to six months thereafter, one-time incentive payments aggregating approximately $292,000 will be paid to certain of the Company's key employees in consideration of their agreement to continue as employees of the Company for periods ranging from three to six months following the closing of the merger. American Cyanamid has agreed to loan such amounts to the surviving corporation.

The working capital deficiency at January 25, 1992 is $3.5 million and is primarily attributable to the treatment of the Company's demand notes owing to American Cyanamid as short-term debt on its condensed consolidated balance sheet. If the merger is not consummated, the Company does not foresee a significant change that would permit a portion of such demand notes to be re-classified as long-term debt. If the merger is consummated, the demand notes will be repaid through the combination of cash paid by the purchaser at the closing and the delivery to American Cyanamid of a $6 million promissory note secured by the Company's real property. Such portions of the promissory note payable within one year and over one year will be classified as short and long-term debt, respectively. Such classification would materially effect the working capital of the surviving corporation.

Results of Operations

Three months ended January 25, 1992 compared to three months ended January 26, 1991

Revenues during the first quarter of fiscal 1992 increased $200,000 or 4% as compared to the same quarter in fiscal 1991, due primarily to a $1.2 million increase in revenues from the gallium arsenide solar cell business due to a higher number of units shipped, higher unit prices and mix. This increase was largely offset by decreased revenues in the silicon solar cell and bypass diode product lines which decreased $758,000 as no revenues were recognized in fiscal 1992 due to the termination, for convenience, of the contracts for NASA's space station "Freedom" in August 1991. In addition, contract research and development revenues decreased $232,000 due to the decrease in the number of contracts in fiscal 1992.

Gross margin decreased in the first fiscal quarter of 1992 to 19.7% of sales versus 25.7% in fiscal 1991 due primarily to increased unit costs resulting from substantially reduced silicon solar cell and bypass diode production levels in fiscal 1992. There were no material revisions to estimated final contract profits or losses during the first quarter of fiscal 1992 or 1991.

Selling, administrative and general expenses increased by $88,000 or 7% in the first quarter of fiscal 1992 versus the first quarter of fiscal 1991 due primarily to the inclusion in fiscal 1992 of $86,000 of expenses related to the approved merger with a company affiliated with Westar Capital.

Internal research and product development expense increased $267,000 or 83% during the first fiscal quarter of 1992 as compared to the like period in fiscal 1991 due to continued development of the Company's gallium arsenide laser products.

Interest expense, net of interest income, decreased $64,000 or 35% due to lower average balances outstanding under the Company's credit agreements with American Cyanamid Company and lower interest rates during the first fiscal quarter of 1992 as compared to fiscal 1991.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

A Special Meeting of Shareholders was held on February 28, 1992 to consider approval of a proposed merger of the Company with a company affiliated with Westar Capital under an Agreement and Plan of Merger (the Agreement) dated November 20, 1991 pursuant to which each outstanding share of the Company's common stock, without par value, other than the shares of common stock owned by American Cyanamid Company and any dissenting shares as defined in the Information Statement would be converted into a right to receive $6.00 in cash and each share of common stock owned by American Cyanamid Company would be converted into the right to receive approximately $1.99 in cash.

At the Special Meeting, 2,514,117 shares of common stock were voted in favor of the proposed merger, zero shares were voted against the proposed merger and zero shares abstained. In addition, none of the shareholders chose to exercise their dissenters' rights as permitted under Chapter 13 of the California General Corporation Law. No other matters were voted upon at the Special Meeting of Shareholders.

Item 5. Other Information

On February 28, 1992, a majority, 73.6%, of the Company's shareholders approved a merger of Applied Solar with a corporation formed by Westar Capital. Consummation of the transaction is subject to the satisfaction of certain items, including approval of the fairness of the transaction by the California Department of Corporations. To allow the parties additional time to attempt to conclude the open items, Applied Solar, American Cyanamid Company, Westar Capital and the other parties to the Agreement have consented to extend the deadline for consummation of the transaction until the Department of Corporations has approved its fairness, but not later than March 16, 1992.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits required.

None.

(b) Reports on Form 8-K.

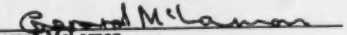
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

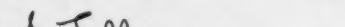
APPLIED SOLAR ENERGY CORPORATION
(Registrant)

March 9, 1992



Gerard McLarnon,
President and Chief Executive Officer
(Principal Executive Officer)

March 9, 1992



Brian J. Sullivan,
Chief Financial Officer
(Principal Financial and Accounting Officer)